

【For Immediate Release】

# ChampionREIT

## 冠君產業信託

### Champion REIT Announces 2017 Interim Results

- Distributable Income up 7.5%, Distribution per Unit up 7.2%
- The office portfolio continued to see positive rental reversion
- Proactive liability management - raised fixed rate debt proportion to 50%

Hong Kong, 15 August 2017 – **Champion Real Estate Investment Trust (stock code: 2778)**, the owner of Three Garden Road and Langham Place, announces its financial results for the six months ended 30 June 2017.

#### Summary of financial results

|                                 | 1H 2017 | 1H 2016 | % Change |
|---------------------------------|---------|---------|----------|
| Total Rental Income (HK\$ mil)  | 1,183   | 1,123   | +5.3%    |
| Three Garden Road               | 596     | 567     | +5.1%    |
| Langham Place Office Tower      | 175     | 159     | +9.9%    |
| Langham Place Mall              | 412     | 397     | +3.8%    |
| Net Property Income (HK\$ mil)  | 1,064   | 994     | +7.0%    |
| Distributable Income (HK\$ mil) | 758     | 705     | +7.5%    |
| Distribution per Unit (HK\$)    | 0.1173  | 0.1094  | +7.2%    |

| Value as of                         | 30 Jun 2017 | 31 Dec 2016 | % Change |
|-------------------------------------|-------------|-------------|----------|
| Gross Value of Portfolio (HK\$ mil) | 70,806      | 66,842      | +5.9%    |
| Net Asset Value per Unit (HK\$)     | 9.36        | 8.72        | +7.3%    |
| Gearing Ratio                       | 20.5%       | 21.7%       | -1.2pp   |

#### Overview

For the first half of 2017, Champion REIT recorded solid growth in rental income and distribution per unit of 5.3% and 7.2% year-on-year respectively. The growth was driven mainly by positive rental reversion in the Trust's office portfolio.

### **Three Garden Road**

Rental income for Three Garden Road grew by 5.1% to HK\$596 million compared with HK\$567 million in the first half of 2016 on the back of further positive rental reversion. Passing rents as at 30 June 2017 increased to HK\$84.65 per lettable sq. ft. compared with HK\$78.20 per lettable sq. ft. as at 31 December 2016. The latest achieved rents have stayed above HK\$100 per sq. ft. for both rent review and renewal cases. Occupancy dropped slightly to 92.4% from 95.9% as at 31 December 2016.

### **Langham Place Office Tower**

Rental income for Langham Place Office Tower went up 9.9% to HK\$175 million compared with HK\$159 million in the first half of 2016. As very few leases rolled-over during the period under review, passing rents as at 30 June 2017 increased slightly to a record high of HK\$39.98 per sq. ft., based on gross floor area. Occupancy remained at a high level of 97.5%.

### **Langham Place Mall**

The Langham Place Mall outperformed the overall Hong Kong market. In the six months to 30 June 2017 the Mall's retail sales rose 1.9%, which contrasted with a decline of 0.6% for the overall Hong Kong retail market. Rental income of the Mall grew moderately by 3.8% to HK\$412 million in the first half of the year, compared with HK\$397 million in the first half of 2016. Both base rent and turnover rent recorded positive growth.

### **Financing**

To mitigate the impact of a potential interest rate hike, the Trust has undertaken proactive liability management. This included significantly increasing its proportion of fixed rate debt in the period under review to a current level of 50.0%, up from 21.5% as at 31 December 2016. A total of HK\$3,450 million of floating rate loan has been swapped into fixed rate by entering into interest rate swaps at an average interest rate of 1.55%.

### **Distribution**

Distributable Income increased 7.5% to HK\$758 million. Distribution per Unit (DPU) increased 7.2% to HK\$0.1173. The annualized distribution yield is 4.7% p.a. using the closing Unit price of HK\$4.97 as at 30 June 2017.

### **Asset Value**

The appraised value of the Trust's properties increased 5.9% to HK\$70.8 billion compared with the 31 December 2016 valuation of HK\$66.8 billion. The increase was driven primarily by higher rental assumptions. Net asset value per unit was HK\$9.36 as at 30 June 2017. At closing unit price of HK\$4.97 as at 30 June 2017, the discount to net asset value was 46.9%.

## **Outlook**

Three Garden Road will continue to achieve strong positive rental reversion as its passing rent is still significantly below current market levels. Its solid rental reversion growth should outweigh the overall lower average occupancy.

Although the Hong Kong retail market has shown signs of bottoming out, Langham Place Mall's rental reversion is likely to continue facing downward pressure as the aftermath of the 25 March 2017 escalator incident may have a prolonged effect on the Mall's performance. The Trust will deploy strategic initiatives to stimulate footfall and sales.

Positive rental reversion for the office portfolio is expected to sustain in the second half of 2017. While the distribution remains vulnerable to a sharp rate hike, the Trust has taken decisive measures to mitigate the risks. The Trust adopts a prudent and vigilant approach to steer the strategic direction of the Trust and review the portfolio from time to time.

## **About Champion REIT (stock code 2778)**

Champion Real Estate Investment Trust is a trust formed to own and invest in income-producing office and retail properties. The Trust focuses on Grade-A commercial properties in prime locations. It currently offers investors direct exposure to 2.93 million sq. ft. of prime office and retail properties by way of two landmark properties, Three Garden Road and Langham Place, one on each side of the Victoria Harbour.

Website : [www.championreit.com](http://www.championreit.com)

## **Media Contacts : Strategic Financial Relations Limited**

Vicky Lee      Tel: 2864 4834      Email : [vicky.lee@sprg.com.hk](mailto:vicky.lee@sprg.com.hk)

Angel Li      Tel: 2864 4859      Email : [angel.li@sprg.com.hk](mailto:angel.li@sprg.com.hk)

Website: [www.sprg.com.hk](http://www.sprg.com.hk)